

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6035**

**BILL NUMBER: SB 271**

**NOTE PREPARED: Feb 1, 2011**

**BILL AMENDED: Jan 31, 2011**

**SUBJECT:** Taxation of Personal Property.

**FIRST AUTHOR:** Sen. Waltz

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill permits the fiscal body of a county, city, town, or, in the case of Marion County, the Metropolitan Development Commission, to approve property tax exemptions for one or more types of personal property. It also allows payments in lieu of taxes (PILOTS) to be imposed upon property owners receiving the exemption.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Personal Property Exemptions:* The Department of Local Government Finance (DLGF) would have to allow for the exemption to be claimed on the personal property tax return. The DLGF updates personal property tax returns each year. This change could be incorporated into the annual update.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* All fiscal impacts of this bill are subject to local action. As the exemption provision relates to existing personal property, it has the potential to shift taxes and possibly reduce property tax collections for civil taxing units and school corporations. The PILOTS provision has the potential to increase revenues for designating units. Overall, it is possible for designating units to receive additional revenue while other taxing units could lose revenue.

*Personal Property Exemptions:* Under this provision, a designating body would be permitted to adopt an

ordinance to fully or partially exempt personal property in the designating area's territory from property tax. An ordinance exempting personal property would have to specify the amount and duration of the exemption. The ordinance may be rescinded but not for at least 2 years. If the ordinance is rescinded or amended, then the exempt property would remain exempt until it is removed from service.

If adopted by the county, the exemption would first apply to assessments in the following calendar year. Personal property could first be exempted under this provision for property taxes payable in CY 2013.

Taxpayers would not be required to file an application to receive the deduction. The exemption would be claimed on the personal property tax return. The local assessor (or the DLGF if the DLGF assesses the property) would determine the exemption amount if the taxpayer fails to enter the exemption on the personal property return.

The statewide total net tax on personal property is estimated at about \$916 M in CY 2013. Personal property tax exemptions would shift a portion of this amount from personal property owners to real property owners through increased tax rates. In many areas, the higher tax rates would also increase taxing units' revenue loss due to circuit breakers. Rate-controlled funds, such as cumulative funds, would suffer a revenue loss equal to the exempted AV amount multiplied by the fund's tax rate. Revenue losses would affect all civil and school units that serve the area where the exempted property is located. The actual fiscal impact would depend on local action.

*PILOTS:* Under this provision, a designating body may impose PILOTS on personal property that is subject to the exemption. The PILOTS may be imposed in any amount that does not exceed the property tax exemption amount granted to the property owner. Revenue collected from the PILOTS would be deposited in the designating unit's general fund. Under the bill, PILOTS would be treated as property taxes for all procedural and substantive purposes. The actual fiscal impact would depend on local action.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County and municipal fiscal bodies; County and township assessors; County auditors; Civil taxing units and school corporations.

**Information Sources:** OFMA property tax database.

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